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Required Report - public distribution

Date: 11/26/2014

GAIN Report Number: SA1415

Saudi Arabia

Exporter Guide

2014

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Report Highlights:

U.S. food and agricultural product exports to Saudi Arabia reached a record-high level of \$1.425 billion in FY 2014, an increase of 24 percent over the previous year. In January 2014, Saudi Arabia implemented new requirements for a mandatory pre-registration and electronic customs clearance for all imported food and feed products. Recently, Saudi food regulatory authorities have begun a stricter enforcement of food import regulations and procedures, particularly those related to labeling requirements and the maximum allowable limits for food additives, which they have been lenient in enforcing in past years. Food packages which contain logos that may imply religious connotation, such as the trade symbols for Kosher food, have been rejected. This Exporter Guide updates the Saudi regulations and customs clearance procedures for importing food products and highlights issues that U.S. exporters must be aware of when exporting food products to the Saudi market.

I. EXECUTIVE SUMMARY

Saudi Arabia is the largest importer of food and agricultural products among the Gulf Cooperation Council (GCC) countries, with a population more than double that of the five GCC countries (UAE, Kuwait, Qatar, Oman and Bahrain). In 2013, Saudi Arabia's total food and agricultural product imports rose 8 percent, to \$19 billion. Food products accounted for about 92 percent of the total imports at \$17.5 billion, with processed food products' share accounting for 46 percent of the total food and agricultural imports.

The continued economic growth helped in raising Saudi Arabia's per capita income to \$25,000 in 2013. Saudi Arabia's population is estimated at 30 million, and expected to reach 40 million by 2025. This will help increase demand for food imports, as Saudi Arabia relies on foreign suppliers to satisfy more than 80 percent of its food consumption needs. The rising per capita income and changing lifestyle and diets in Saudi Arabia are expected to boost the demand for high quality food products.

U.S. food products are generally viewed as meeting higher quality standards compared to those produced locally or imports from other countries. Although U.S. food products command higher price margins compared to imports from Asia and Arab countries, demand for U.S. food products in the Saudi market has been increasing in the past few years. In FY2013/2014, U.S. agricultural and food product exports to Saudi Arabia were at a record high of \$1.425 billion. U.S. exports of consumer-oriented food products have been growing steadily in the past few years, reaching \$588 million in FY2013/14.

In January 2014, the Saudi Food and Drug Authority (SFDA) started a mandatory pre-registration and electronic customs clearance (E-Clearance) system for all food and processed feed products imported into the Kingdom. The new E-Clearance requires potential exporters to pre-register their products with SFDA through their Saudi importers. The SFDA does not allow imports of food and processed feed products without pre-registration and approval before shipments arrive at the Saudi ports of entry. To qualify for the E-Clearance, Saudi Importers must establish an E-Account with the SFDA and register all their imported food products.

The SFDA has started a rigorous implementation of its import regulations and procedures for importing food and agricultural products into Saudi Arabia. In the absence of Saudi or Gulf Standardizations Organization (GSO) regulations, SFDA enforces other internationally recognized regulations such as Codex Alimentarius, EU or FDA regulations. In recent weeks, the SFDA has rejected several shipments of Paprika sauce on the basis of an EU regulation that limits the Ochratoxin level in food products to 15 microgram per kg. Since the SFDA does not have its own standards for Ochratoxin levels in sauces, it has opted to implement the EU requirement.

In recent months, the SFDA has begun a stricter enforcement of food import regulations and procedures, particularly those related to the maximum allowable limits for food additives and labeling requirements, which they were lenient in enforcing in past years. The SFDA has rejected several containers of grape leaves purportedly for containing levels of pesticide residue higher than the maximum allowed level of 0.01 mg/kg. It has also rejected shipments of prepackaged food products for labeling violation of SASO standard 1548/1999 for "Sweeteners Permitted in Food Products". This regulation requires posting of a

warning on the food labels concerning possible side effects of the excessive use of certain components used in manufacturing this product.

Food labels and packages which contain symbols or icons that may imply religious connotation, e.g. trade logos for Kosher food, have been rejected. It should be noted that U.S. exporters need to avoid posting any symbols that could have non-Islamic religious references such as the “Cross” or the “Stars of David” on the packages of food products exported to Saudi Arabia. Food products containing such symbols on their packages/labels have been rejected by SFDA and the Saudi Customs.

Advantages and Challenges for U.S. food exports to the Saudi Market

Advantages	Challenges
Saudi Arabia depends on imports to meet about 80 percent of its food needs.	Price competitiveness of local products and imports from Arab and Asian countries has impacted U.S. market share.
The Kingdom is a growing market for high value food products and consumers have affinity for trying new food products, offering greater opportunities for new-to-market U.S. food products.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
Ready to eat foods, home meal replacements, fast foods and "take-away" foods are increasingly popular with the young Saudi population.	Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
The rising per capita income and changing lifestyle and diets in Saudi Arabia are expected to boost demand for high quality food products.	Negative attitude towards foods containing biotech products and Saudi requirement that livestock and poultry meat imported to Saudi Arabia must come from animal that are fed on 100 percent vegetable feed.
The U.S. is a recognized reliable supplier of quality foodstuff products. Major Saudi importers are constantly looking for new to market food products.	High markups, listing and other fees that major retailers charge significantly increase the cost of launching new products in the Saudi market.
The more than 10 million expats that live and work in Saudi Arabia creates demand for greater diversity and ethnic foods.	Some food retailers require to get reimbursed for expired products they sell in their outlets.
An increasing number of pilgrims come to Saudi Arabia every year (over 7 million pilgrims) create demand for institutional food services.	Rejection of food packages which contain trade logos that may imply religious connotation, such as trade symbols for Kosher food have.

II. EXPORTER BUSINESS TIPS

A) Local Business Customs

There are dozens of food importers in the Kingdom, with about 40 accounting for the bulk of food imports from the United States. Below are ways food products are imported to Saudi Arabia.

1) Private labels are becoming common in Saudi Arabia

Some large Saudi importers and supermarkets chains pack foodstuffs under their own brand names locally and in foreign countries, including in the United States. These firms have developed private labels, which appeal to Saudis and expatriates in the Kingdom. Salim Basamah Company, perhaps the largest importer of grocery products in Saudi Arabia, places its private label, "Goody" on a wide variety of food products imported from the United States. Other well-known private labels include Freshly and Al-Alali.

Hence, a can of American peaches can be marketed in Saudi Arabia under several different labels:

- Under an established U.S. brand such as Monarch or Libbys
- Under a Saudi private label: like Goody, Freshly and Al-Alali
- Under a U.S. private label representing the exporter/consolidator: such as American Garden or AFFCO.

2) Agency Agreements

Some importers are agents of major U.S. manufacturers of national brands, such as Kellogg's, Campbell Soup, Florida Natural Fresh Juices and Budweiser non-alcoholic beer. The Saudi importer will help build the brand, but will request support from the U.S. company. The U.S. manufacturer usually offers promotional and marketing assistance.

3) Consolidation

Some companies import a wide range of food products for mass distribution, employing the use of consolidators in the United States. Often, the consolidators are sole regional agents of major U.S. manufacturers or brand owners covering the entire Middle East and African regions. Most U.S.-based consolidators assist Saudi food importers by sourcing products from wholesalers, such as Fleming, and providing services such as placing stickers on labels. Current Saudi regulations allow U.S. suppliers to place an Arabic language sticker on the original English language label. The stickers translate key ingredient and product information into Arabic. Stickering is a laborious task and most manufacturers do not want to bother with this. Most U.S. consolidators are based in Houston, New York, Miami and in other port cities that have large wholesalers.

4) Direct Imports by Supermarkets

The French hypermarket chain, Carrefour, a Dubai based Lulu as well as many locally-based supermarket chains, such as Othaim, Panda, Tamimi, and Danube import part of their food products needs directly from suppliers. Tamimi and Danube, the two most upscale Saudi supermarkets, import several containers of American food products each month for sale at their outlets, lending support to a wide range of brands without a binding agency agreement.

If a product has performed well in the market, a U.S. company may opt to go beyond the sticker stage and develop a bilingual label in both Arabic and English. Monarch is one of many U.S. companies, which have developed bilingual labels for the Middle East. Non-alcoholic Budweiser beer was launched in the Kingdom in 1999, with a red, white, and blue bilingual label. However, a significant number of U.S. origin grocery items found in Saudi supermarkets continue using stickers.

Saudi importers are constantly searching for new products, and often request support from suppliers for promotion and advertising. The Saudi consumer is a discriminating consumer, closely examining labels and looking for the best deal. Advertising is considered a necessity to win Saudi consumers. Two-for-one deals are very popular in large supermarkets in moving items that are approaching their expiry dates. Major Saudi supermarkets have introduced category management and eliminated low moving product brands. The entrance of the French hypermarket chain Carrefour in Saudi retail market in 2004 along with the opening of Hyper Panda (local chain) in the same year has launched a new era of retailing in the Kingdom characterized by a state of the art shopping experience and aggressive competition.

Local distributors (depending on the size and power of the distributor) are being asked for listing fees ranging from \$267 to \$17,067 per Stock Keeping Unit (SKU) by major hypermarkets. The bigger the distributor, the more power he has to negotiate a lower listing fee. In addition to listing fees, distributors are asked to provide a specified percentage rebate on total annual turnover, contribute to advertising campaigns, carry out store merchandizing activities for its products seven days a week, provide at least 60 day payment terms, rent gondolas and reimburse for expired items. Distributors frequently authorize retailers to conduct special offers to consumer such as buy one and get one mainly for products with 60 days or less of remaining shelf life. Hypermarkets and supermarkets depend heavily on merchandising services offered by importer/distributors, i.e., stocking shelves and keeping inventory.

B) General Consumer Tastes Preferences

The Kingdom is a growing market for high value food products and consumers have affinity for trying new food products, offering greater opportunities for new-to-market U.S. foods. Ready to eat foods, home meal replacements, fast foods and "take-away" foods are increasingly popular with the young Saudi population. The about 10 million expatriates that live and work in Saudi Arabia create demand for greater diversity and ethnic foods. In the past two decades, Saudi Arabia has experienced rapid socio-cultural changes caused by the fast growing economy and increase personal income that allowed Saudis to travel to the West for education and tourism, and to learn more about western food and culture. The rapid expansion in western style supermarkets and fast food restaurants has significantly changed Saudi consumer tastes and preferences. Increasing numbers of Saudis look for high quality foods and are willing to pay more for quality. Most hypermarkets are now severing cooked meals, marinated meat, ready to go salad and chilled pizza to meet the growing demand for prepared foods in retail outlets.

One of the noticeable trends in the Kingdom has been the decline in consumers' preference for canned food products in favor of fresh or frozen food items. Frozen foods are perceived by consumers as being of better quality than canned foods. Changing lifestyles and an increasing number of women entering the workplace are driving demand for prepared foods.

Saudi consumers are becoming increasingly educated about food prices, quality, nutritional value, food safety and packaging. They pay attention to expiry dates on products and enjoy new products.

Despite the fact that Saudi Arabia allows the importation of biotech labelled consumer packed food products since 2001, no packaged foods with positive biotech labeling have been imported so far because of limited knowledge and negative attitude of consumers towards foods containing or made from biotech products. Saudi importers of high value food products do not import biotech foods as they are concerned that biotech labeling could jeopardize their product image and result in losing market shares. Saudi Arabia requires positive biotech labeling if a product contains more than 1 percent of biotech vegetable (plant) ingredients.

Dining at fast food restaurants has become very popular among Saudi families and expatriate workers. American fast food chains such as KFC, Burger King, and McDonald's as well as casual dining restaurants such as Chili's, TGI Fridays, Applebee's, Sizzler, On The Border, Fuddruckers and some local fast food chains such as Herfy and Kudu, import at least part of their food needs from the United States. Large catering companies, especially those serving Western expatriates, also buy a portion of their requirements directly from the United States.

Saudi Arabia is located between Europe and Asia. With its large expatriate population, the Kingdom is a multi-ethnic society. Consequently, foods from around the globe are found in Riyadh, Jeddah, Dammam, and other urban areas in the Kingdom. There are two basic consumer categories in the Kingdom:

Saudi citizens (20 million) in 2013

Expatriates workers residing in the Kingdom (10 million)

Per capita income \$25,000

Saudi consumers are discriminating consumers and enjoy new food products. With a young and growing population supporting a significant increase in retail outlets, U.S. food and agricultural exports to the Kingdom will continue to expand in the coming years.

A growing import demand for institutional-size food products by the catering sector is being driven by the large number of expatriate third country nationals working in Saudi Arabia and the increasing number of foreign pilgrims visiting the two holy cities (Makkah and Medina). There are ten million expatriate workers residing in the Kingdom, most of who are single and from the Sub Continent of Asia (India, Pakistan, and Bangladesh) and the Philippines. The number of foreign pilgrims coming for Hajj and Umrah rituals is estimated at about eight million per annum.

Saudi and middle income expatriates are the largest consumers of American consumer-oriented products and the principal shoppers in Class A supermarkets. The consumers in Saudi Arabia are becoming increasingly educated about quality, nutritional value, price, and packaging. They pay attention to expiry

dates on products and enjoy new products. Domestic supermarkets that offer a wide variety of food products will have the best chance for prospering in this competitive market.

Saudi Arabia and the other GCC countries allow the importation biotech food products as long as they are labeled for more than one percent GE content. U.S. biotech animal feed such as yellow corn and soybean meal have been freely imported to Saudi Arabia without any problem.

Since Saudi Arabia's implementation of its processed food biotech labeling regulations in 2001, no retail packed food products with biotech content have been imported into the Kingdom to date. Saudi retail food importers do not import biotech foods due to concerns that biotech labeling could jeopardize their product image and result in their losing market shares, given that Saudi consumers have limited knowledge about agricultural biotechnology.

The demand for organic foods is very small but growing. There is a lack of sufficient marketing for organic foods and most people are not educated about the benefits of consuming organic foods.

C) Food Standards and Regulations

The table below lists the main GSO and Saudi standards that all U.S. food products exporters should take into consideration when considering exporting to Saudi Arabia. U.S. exporters are encouraged to consult closely with their Saudi importers on detailed product requirements prior to shipment.

The maximum limits for antioxidants permitted for use in food products	GSO 1059
Maximum limits for pesticide residues in agriculture food products part 2	GSO 383

The two pieces aluminum round cans used for canning food, Beverages & stuff	GSO 1793
Round, metal, installation, used for canning stuffs : determinations, dimensions and capacities	GSO 1797
Edible casein and caseinates	GSO 1374
Sweeteners permitted for use in food	SASO 1548
Emulsifiers, stabilizers and thickeners permitted for use in food stuffs	GSO 381
Flavoring permitted for use in food stuffs	GSO 707
Preservatives permitted for use in food products	GSO 356
Permitted food additives in edible oils and fats	GSO 19
Coloring matter used in food stuffs	GSO 23
Salts of sulphurous acid used in preservation of food stuffs	GSO 175
Labeling of prepackaged food stuffs	GSO 9
Limits of radioactivity levels permitted in foods stuff part -1	GSO 988
Benzoic acid, sodium ,benzoate ,and potassium benzoate used in preservation of food stuffs	GSO 172
Refrigerated cabinets for the sale and/or display of food products, part 1: general requirement	GSO 1686
Code of practice for the prevention and reduction of lead contamination in foods	GSO CAC RCP56
Food packages - part1 : general requirements	GSO 839
Food packages - Part 2: Plastic package - General requirements	GSO 1863
Food packages made of aluminum foil	SASO-2173
Expiration periods of food products	GSO 150
Principles for food import and export inspection and certification	GSO CAC/GL 20
Antioxidants permitted for use in food products	GSO 357

The above standards are copyrighted documents and can be purchased by logging into GSO webpage:

<http://www.gso.org.sa/standards/public/standardsList.seam>

<http://www.saso.gov.sa/en/eservices/Pages/standardSearch.aspx> (for SASO standards)

D) Food Products Preregistration Requirement

In January 2014, Saudi Arabia implemented mandatory requirements of preregistration and electronic customs clearance for all imported food and feed products. The preregistration of imported food products is the responsibility of the local importers or agents. Each importer or agent is required to open an electronic account (E-Account) and set up individual user name and password at SFDA's Executive Department for Imported Food Control (EDIFC) E-Services at <https://frcs.sfda.gov.sa/Login.aspx>. Once the E-Account is created, importers can upload their food products information including harmonized code (HS Code), bar code, item code, and listed ingredients in English and Arabic, picture of each product as well as copy of the product label. The food products label must contain all information

required by the Gulf Standard Organization regulation number GSO 9/2013 “Labeling of Prepackaged Food Stuff”. Individual importers are required to register all food products they intend to import, even if some or all of the products they plan to import have been already registered by another importer. The electronic registration with the SFDA is free of charge and there is no expiry date for the registration. Importers, however, are required to re-register their products when there are changes in products formulations or labels. The registration process seems to be simple and can be quickly completed if needed information is readily available and required documents are uploaded. It is important to know that SFDA does not allow the importation of food products that are not preregistered on its E-Account database and does not process any requests for Customs clearance unless it is submitted through the electronic clearance (E-Clearance) system. To qualify for the E-Clearance, all food products importers as well as their Customs brokers should create their individual E-Account with SFDA and complete the online registration process for all imported food and feed products.

E) Voluntary Facility Registration for Foreign Food Processing Establishments

SFDA has begun voluntary registration of foreign establishments that export food products to Saudi Arabia with no deadline for the registration. The registration process consists of nine steps for all types of establishments with the exception of slaughter houses that may require SFDA site inspections and approval as additional registration conditions. Foreign establishments may start their facilities registration process by logging to the following link and completing the electronic form.
<http://frcs.sfda.gov.sa/Account/RegisterAccount.aspx>

F) Import Procedures

Below are the SFDA’s procedures for importing food products into Saudi Arabia:

- Importers must have a Commercial Register, which includes food trade
- Importers should have already created an E-Account with the SFDA and registered all their imported food products.
- Required Documents: The following documents must be submitted to the SFDA in order to commence the required product inspections process:
- Original invoice certified by a chamber of commerce where the exporting company is located.
- Some of the following certificates (according to the food item) shall be made available:
 - Certificate of origin (Copy)
 - Halal Certificate (original)
 - Certificate of slaughtering for meat and poultry (original)
 - Any other documents or certificates required by the SFDA
 - In addition to the general requirements listed above, there may be special requirements specified by SFDA according to the nature of imported food products.

G) Inspection Procedures at Border Inspection Posts (BIPs)

With the exception of herbal preparations, health and supplementary foods (inspected by the Ministry of Health) and live animals, plants, seeds and grains (inspected by the Ministry of Agriculture), all imported foodstuffs are inspected by the SFDA's Executive Department of Imported Food Control (EDIFC) at Saudi ports of entry or **BIPs**. Imported processed feed and feed ingredients are inspected by SFDA's Executive Department of Animal Feed (EDAF).

Imported foods are inspected independently by EDIFC's inspectors at one of Saudi **BIPs** without any interference from SFDA headquarters in Riyadh. Laboratory officials pull random samples from full consignments and testing is done fairly quickly. If imported consignment is in compliance with pertinent GSO or Saudi regulations and standards it is cleared. Otherwise, it is rejected. The domestic importer has no access to SFDA internal report during the process. SFDA informs the importer its final decision whether to clear the product for sale in Saudi Arabia or reject it due to lack of compliance with established regulations and standards. Reject products have to be re-exported or destroyed domestically under SFDA's supervision.

EDIFC inspectors perform the following mandatory a-four stage verification process when food consignments arrive at BIPs:

- **Documentary Check:** all certificates and documents accompanying a consignment are checked and presence of all required documentation is verified.
- **Identity Check:** the identities of all food items imported in the consignment are verified against information in accompanying documents.
- **Physical Examination:** all food items contained in the consignment are physically verified to ascertain conformity with the technical regulations and standards, and that the labeling requirements are met as specified by the pertinent technical regulations and standards. It also makes sure that inner temperature level of the container meets the established pertinent regulations and standards.
- **Laboratory Test:** if the food inspector has reasons to believe that a laboratory test is needed to take a final decision about the food consignment, he may take random sample and send it for analysis at authorized laboratory.

If the imported food product meets the established pertinent regulations and standards, it is released by EDIFC on the same day and referred to the Customs for final clearance. Failure to comply with pertinent regulations at any of the above stage may result in a rejection of the imported food product and prevented entry to the Saudi market.

If a product is rejected by one of BIPs inspectors for alleged lack of adherence to established specifications at any of the above four stages, the local importer has the right to appeal the decision in writing to EDIFC at the SFDA headquarters and ask for reconsideration of the inspection results. In such cases, EDIFC forwards the appeal to SFDA's special committee that studies shipment documentation and the BIPs test results to verify compliance with established rules and regulations. If the BIP action was found to be in compliance with the rules and regulations pertain

to the rejected product, then EDIFC considers the BIP findings and decision as final. If, for any reason, there was a misjudgment by the BIP inspectors, EDIFC repeals the decision and inform the importer to clear the consignment from Customs. Containers can be cleared in less than five working days provided all required documents are in order and imported products meet Saudi Arabian/Gulf specifications.

H) Customs Clearance

As stated earlier, shipments of food products must be accompanied by a commercial invoice, health certificate, and other selected documents. An importer is responsible for translating the commercial invoice into Arabic (per Saudi Customs requirements) and to provide the translated document to his Customs agent in order to start the clearing process. Containers are normally cleared in less than ten days provided all documents are in order and imported products meet Saudi standards and specifications.

I) Imports of Product Samples

Samples destined to potential Saudi buyers or for display in Food Shows are exempt from Saudi labeling and shelf life regulations, but are subject to inspection at ports of entry. A commercial invoice specifying that the product is not for sale and has no commercial value must accompany samples, which are usually sent to Saudi Arabia by D.H.L. and similar carriers.

J) Banned Products

For religious reasons, Saudi Arabia bans imports of alcoholic beverages, live swine, pork, and foodstuff ingredients or additives that contain pork products, including pork fat, and gelatin. Other banned products include meat of asses, mules, hinnies (fresh chilled, or frozen), frog legs, poppy seeds, hemp seeds, opium and hops and swine leather.

III. MARKET SECTOR STRUCTURE AND TRENDS

1) Retail Outlets

In 2013, the total value of Saudi retail food sales was estimated at about \$33.5 billion, an increase of 87 percent compared to sales in 2007 which was estimated at \$17.89 billion. The total value of retail food sales is forecast to reach \$44.44 billion in 2017, an increase of about 33 percent over 2013.

Key factors driving the huge growth in retail food sales are as follows:

- a) **Population Growth:** the Saudi population which estimated at 30 million in 2013 grows at about 3 percent annually and his expected to reach 40 million by 2025. Currently, about 70 percent of Saudis are under the age of thirty.
- b) **Increased Disposable Income:** Saudi Arabia's economic growth in recent years has helped in increasing per capita income, from \$20,267 in 2008 to \$25,000 in 2013. With higher

income, large number of Saudi can afford to shop high quality food products at retail outlets and Saudis spend about 27 percent of their income on food. The Saudi government offers various direct or indirect subsidies to keep the prices of staple food products at very low levels.

- c) **Increased in the Number Retail Outlets:** In 2013, the total number of food retail outlets in Saudi Arabia was estimated at about 40,450, an increase of 15 percent over 2012. Saudi food retailers carry a wide range of food products, from domestically processed food to imported upscale specialty and organic food products. U.S. exports of consumer-oriented food products to Saudi Arabia have been rapidly growing and totaled about \$588.2 million in FY2013, making the country the 20th largest importer of U.S. consumer ready food products. In FY2013, the top ten U.S. processed foods product categories imported to Saudi Arabia were dairy products, tree nuts, processed vegetables, prepared foods, condiments and sauces, snack foods, prepared foods, fresh fruit, chocolate and cocoa products and poultry meat.
- d) **Other Factors:** Other factors that have been contributing to the growth of modern retail chains are the increased urbanization, more exposure to high quality foods via satellite television advertisements, grocery shopping as a form of family outings, changing lifestyles and a craving by Saudi consumers for variety foods. The fast growth of retail food outlets in Saudi Arabia provides an excellent opportunity for U.S. suppliers of consumer products to expand their exports throughout the Kingdom.

2) Hotel, Restaurant and Institutional

The hotel, restaurant and institutional (HRI) food service sector in Saudi Arabia has been rapidly growing in the past decade. Major changes in the Saudis' work and life styles as well as in their consumption patterns have led to increased frequency of Saudis eating outside their homes and doing more in-country travel. The annual revenue derived from consumer food services, restaurants and cafés, was estimated at \$15 billion in 2012, and forecast to reach \$18 billion by 2016. The Saudi Commission for Tourism and Antiquities (SCTA) estimates that total revenues generated from sales of food, beverages and food service at restaurants and cafés have increased by 87 percent since 2006. The value of food purchased HRI to produce meals in 2012 was estimated at of \$5 billion.

The institutional food sector in Saudi Arabia offers services to schools, workers camps, company cafeterias, hospitals, universities, Hajj catering, military, prisons, airline catering, and special events. There is no official government data on the value of the institutional food service market in Saudi Arabia. However, experts from major catering companies interviewed for this report estimate the annual value of the market to be about \$5 billion. This subsector serves several millions of meals a day and relies mostly on imports to meet its huge demand for institutional food products.

Saudi Arabia is among the most visited destinations in the Middle East, even though the Kingdom is not a tourist destination and does not issue tourist visas. In 2011, about 17.4 million visitors entered the country for various religious and business purposes, an increase of 34 percent over the number of visitors in 2010. In 2011, visitors to Saudi Arabia spent \$13.1 billion mainly on food and accommodation, of which Hajj and Umrah pilgrims accounted for 63 percent of the total expenditures.

Saudi Arabia relies heavily on imports to satisfy the HRI sector food needs, with more than 80 percent of the sector's food requirements coming from outside the Kingdom. The sector has a full self-sufficiency in only two products, fresh milk and table eggs.

3) Food Processing Sector

The Saudi food manufacturing\ processing sector has been expanding rapidly over the past few years thanks mainly to the various Saudi government's subsidies that include direct subsidies on selected food production equipment, long term land lease at nominal rates, interest free loans, duty free imports of raw materials used in the production of finished food products, subsidized utilities (water and energy), industrial cities complete with infrastructure and in major cities of the Kingdom, and highly subsidized raw materials such as wheat flour. The various Saudi government assistances and subsidies have helped increase the number of food manufacturing\ processing factories from 460 in 2002 to 732 in 2012, an increase of about 60 percent. The total cumulative investment in the Kingdom's food processing industry reached about \$12.3 billion by the end of 2012 compared to about \$4 billion in 2002. Besides the various government subsidies, the other major contributing factors for the continued increase in the domestic food processing industry are increased demand for packaged foods, continued increase in per capita income, high population growth rate, changing lifestyle, changing diets, growing popularity and rapidly expanding food retail outlets and food service sectors.

The continued expansion in the Saudi food processing sector provides good opportunity for suppliers of bulk and intermediate food products as the domestic food producers depends heavily on imports for raw materials and ingredients needs. In 2012, the total value of imported processed and unprocessed food products used as inputs in the domestic food processing industry, excluding wheat flour, was valued at \$4.1 billion, an increase of 24 percent compared to about \$ 3.3 billion imported in 2010.

Domestically produced food products are considered good quality and competitively priced. Major food products that are locally processed using imported raw materials and ingredients include bread, dairy products, processed livestock and poultry meat, frozen vegetables, jams, potato chips, snack foods, juices, biscuits, peanut butter, spices, hot sauce, tomato paste, ketchup, cookies, confectionaries, fruit drinks, vinegar, pasta, honey, tea, canned beans, cooking oil, butter, mayonnaise, breakfast cereals and ice cream.

In 2012, Saudi Arabia exported \$3.6 billion worth of locally produced food and beverage products, an increase of 17 percent compared to 2010. Saudi food and beverage products are exported duty free to the five GCC countries (Kuwait, Oman, Qatar, Bahrain, and the United Arab Emirates) which give them competitive advantage over imports from other countries including U.S. Hence, the market for locally manufactured products consists of the entire Arabian Peninsula, including Yemen. Significant quantities are exported to other Middle East countries, Africa, Europe and limited quantities to North America to cater to Muslim and Arab communities.

4) Marketing and Product Promotion Trends

Saudi retailers are constantly searching for new products, and often request support from suppliers for promotion and advertising. Advertising is considered a necessity to win Saudi consumers. Competitive pricing, weekly promotional offers, advertising support from vendors and the ability of retailers to offer

a wide selection of products at competitive prices are key promotional strategies followed by retailers. Weekly newspapers advertising are very common and the advertising is mostly geared toward women, who play a greater role in purchasing decisions.

5) Online Sales

Currently, there are no Saudi food retailers that offer online food shopping. Al Othaim Supermarket, the second largest food retail chain in Saudi Arabia, introduced internet based grocery sales in the city of Riyadh in 2011. However, the service was discontinued in summer 2013 due to lack of interest by consumers. In Saudi Arabia, shopping at hypermarkets and supermarkets is considered as a form of outing due to lack of other entertainment options such as cinemas and theaters. The extreme climatic conditions also makes outside activities very difficult during the day which makes spending time at air conditioned hypermarkets very attractive.

IV. BEST CONSUMER ORIENTED PRODUCTS PROSPECTS

The following is a list of some consumer ready food products with high export potential:

- Potato chips and savory snacks
- Mayonnaise
- Tomato ketchup
- Sauces
- Beverage ingredients
- Non-alcoholic beer
- Tree nuts
- Dairy products
- Red meats
- Fresh apples and pears
- Processed fruits and vegetables
- Jams and jellies
- Fruits and vegetable juices
- Honey
- Sweet pastry and biscuits
- Dietetic foods
- Snack foods
- Poultry meat
- Fresh fruit
- Processed fruit and vegetables
- Organic foods

V. KEY CONTACTS AND FURTHER INFORMATION

1. Post Coordinates

Office of Agricultural Affairs
American Embassy
P.O. Box 94309, Riyadh 11693
Tel: 966-11-488-3800 Ext. 4351
Fax: 966-11-482-4364
Internet E-Mail Address: Agriyadh@fas.usda.gov

2. OAA Riyadh Reports

Several OAA Riyadh issued reports on the Saudi food industry can be obtained by visiting FAS website at the below link: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems>

APPENDIX

TABLE A. KEY TRADE AND DEMOGRAPHIC INFORMATION FOR 2013

Agricultural Imports From All Countries (\$Mil)	\$19,000
U.S. Market Share (%)	7%
Consumer Food Imports From All Countries (\$Mil) estimated at 52% of total imports	\$8,014
U.S. Market Share (%)	7%
Edible Fishery Imports From All Countries (\$Mil)	\$420
U.S. Market Share (%)	7%
Total Population (Millions)	30
Annual Growth Rate (%)	3%
Urban Population (Millions)	22
Annual Growth Rate (%)	N/A
Number of Major Metropolitan Areas	13
Size of the Middle Class (Millions) Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	\$25,000
Unemployment Rate (%)	12 %
Per Capita Food Expenditures (U.S. Dollars) estimated at 27% of GDP	\$6,750
Percent of Female Population Employed	15%
Exchange Rate US\$1 = 3.75 Saudi Riyals (SR)	SR 3.75

Source: Saudi government data and Latest available FAS' Global Agricultural Trade System using data from the United Nations Statistical Office.

TABLE B. U.S. MARKET SHARE IN THE TOTAL SAUDI CONSUMER-ORIENTED AND FISHERY PRODUCTS IMPORTS

Saudi Arabia Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
CONSUMER-ORIENTED AGRICULTURAL TOTAL	\$7,964	\$7,815	\$8,014						
				\$451	\$481	\$543	6%	6%	7%
Poultry Meat & Prods. (ex. eggs)	1,556	1,547	1,799	11	18	38	1%	1%	2%
Dairy Products	1,494	1,325	1,227	104	120	159	7%	9%	13%
Prepared Foods	1,091	1,094	964	66	67	65	6%	6%	7%
Fresh Fruit	751	684	729	32	24	33	4%	4%	5%
Processed Vegetables	437	439	495	58	54	58	13%	12%	12%
Beef & Beef Products	409	452	488	32	16	1	8%	4%	0%
Snack Foods NESOI	244	286	298	7	15	16	3%	5%	5%
Fresh Vegetables	256	232	283	2	3	5	1%	1%	2%
Chocolate & Cocoa Products	207	254	266	12	17	23	6%	7%	9%
Meat Products NESOI	287	275	243	1	1	2	0%	0%	1%
Spices	266	247	212	4	3	4	2%	1%	2%
Processed Fruit	187	185	203	21	26	19	11%	14%	9%
Condiments & Sauces	156	171	187	40	41	45	26%	24%	24%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	154	172	156	4	3	4	3%	2%	3%

Tree Nuts	124	141	142	39	56	53	31%	40%	37%
Fruit & Vegetable Juices	118	102	97	11	5	6	9%	5%	6%
Coffee, Roasted and Extracts	58	64	70	4	8	8	7%	13%	11%
Tea	92	75	60	0	1	1	0%	1%	2%
Eggs & Products	15	35	57	1	1	1	7%	3%	2%
Nursery Products & Cut Flowers	54	25	25	0	0	1	0%	0%	4%
Dog & Cat Food	4	5	7	2	2	1	50%	40%	14%
Other	4	4	6	0	0	0	0%		0%
TOTAL FISH AND SEAFOOD PRODUCTS	424	489	420	1	1	2	0%	0%	0%
TOTAL CONSUMER ORIENTED, FISH AND FISH PRODUCTS	\$8,388	\$8,303	\$8,434	\$452	\$482	\$545	5%	6%	6%

Source: Latest available FAS' Global Agricultural Trade System using data from the United Nations Statistical Office.

TABLE C. TOP 15 CONSUMER-ORIENTED AND FISHERY PRODUCTS SUPPLIERS TO SAUDI ARABIA

CONSUMER-ORIENTED AGRICULTURAL TOTAL				FISH and SEAFOOD PRODUCTS			
Reporting: Saudi Arabia – Top 15 Ranking				Reporting: Saudi Arabia – Top 15 Ranking			
CONSUMER-ORIENTED AGRICULTURAL TOTAL				FISH and SEAFOOD PRODUCTS			
Reporting: Saudi Arabia – Top 15 Ranking	Import	Import	Import	Reporting: Saudi Arabia – Top 15 Ranking	Import	Import	Import
	2011	2012	2013		2011	2012	2013
	Value	Value	Value		Value	Value	Value
	(1000\$)	(1000\$)	(1000\$)		(1000\$)	(1000\$)	(1000\$)
Brazil	1,384,641	1,402,692	1,455,832	Thailand	96,143	148,888	121,546
India	489,459	514,086	632,295	Yemen	97,618	95,842	103,914
France	542,499	575,284	601,890	Indonesia	36,135	54,377	61,127
United States	451,203	480,504	543,036	India	15,031	33,795	31,044
Egypt	552,484	508,247	520,225	Pakistan	18,487	17,939	18,999
Netherlands	455,058	447,420	446,878	Oman	6,010	11,643	15,976
New Zealand	499,382	507,525	396,029	Japan	7,170	14,199	15,840
Australia	211,898	222,710	301,767	Norway	8,287	8,909	9,909
Turkey	276,726	261,419	298,914	Italy	5,998	10,659	9,131

Spain	155,202	194,821	241,841	China	16,718	12,582	7,917
China	225,796	216,682	228,260	Philippines	2,967	2,656	4,016
Germany	203,927	212,748	223,493	Egypt	3,444	2,963	3,373
Italy	152,705	175,672	187,207	Spain	124	1,101	2,998
Jordan	66,611		160,203	United States	1,351	824	2,175
United Kingdom	113,407	142,748	149,967	United Kingdom	850	1,437	1,885
Other Countries	2,183,281	1,952,604	1,625,973	Other Countries	107,235	71,552	10,514
World Total Import	7,964,279	7,815,162	8,013,810	World	423,568	489,366	420,364

Source: Latest available FAS' Global Agricultural Trade System using data from the United Nations Statistical Office.